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Central File

THE PRESIDENT HAS BEEN. 1.8

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

May 16, 1975

MEMORANDUM FOR THE PRESIDENT

Subject: April Housing Starts

Private housing starts in April amounted to 990,000 units at a seasonally adjusted annual rate. While this level is barely above the March level, new housing units authorized in permit-issuing places shot up by 27 percent. Permits rose dramatically for both single-family and multi-family units. This combined with continued high savings inflows indicates that the housing starts recovery is underway.

Alan Greenspan



Supplementary Material

Net new savings inflow into the thrift institutions continued high with S&L's gaining \$2.5 billion and mutual savings banks \$0.4 billion in April, excluding interest credited on passbook accounts. These rates of inflow are all the more impressive since inflows in April tend to be depressed by savings withdrawals for final tax settlements. The Federal Home Loan Bank Board announced that it would increase the required liquidity ratio of its member institutions from 5-1/2 percent to 6 percent effective June 1, but the excess of actual over required liquidity was the highest since early 1971.

Home sales have accelerated since February and completions have slowed on account of the low rate of starts in preceding months. Hence the inventory of 393,000 unsold single-family homes outstanding at the end of March should fall quickly. Effective interest rates on conventional new home mortgages closed were down to 9 percent in April even while interest rates on forward commitments continued to rise.